

POSTAL NEWS

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From The Times
May 12, 2008

1. Disenchanted companies desert Royal Mail

Christine Buckley, Industrial Editor

Business customers are deserting Royal Mail and most firms do not find the postal group an efficient organisation to work with, a study by the British Chambers of Commerce (BCC) for The Times has revealed.

The BCC sought the views of nearly 1,000 businesses throughout the country about their use of Royal Mail and their experience of the organisation.

Sixty-eight per cent said that they did not find the postal group to be a “professional, efficient organisation to do business with”; 55 per cent said that Royal Mail was less reliable than it was five years ago and only 8 per cent thought that it had improved.

In a striking example of how much electronic communication has hit the use of postal services, nearly 86 per cent of businesses said that they used the internet and e-mail for transactions that they would have put through Royal Mail five years ago.

Related Links

Royal Mail demands cash after £279m loss

Nationwide post service could end

The BCC survey comes as the National Federation of SubPostmasters (NFSP) gives warning today that 3,000 more post offices may be forced to shut if the Government withdraws post offices' rights to handle benefits and pension payments through the post office card account.

Royal Mail is in the middle of a programme to shut 2,500 post offices in its loss-making network.

The poor reaction to Royal Mail from BCC firms comes as the postal group suffers a new crisis of confidence.

Last week an independent review for the Government said that Royal Mail's financial position was so bad that in the future it would not be able to fulfil its legal obligation of providing a flat-rate nationwide postal service.

Royal Mail also gave warning that it would be seeking more money from the Government and that its pension deficit could soon double, leaving it with a £1 billion annual pension bill.

David Frost, the director-general of the BCC, said: "With large numbers of businesses using Royal Mail less often than in previous years, it is clear that a lot has to be done to regain the confidence of the business community.

"It is also clear that competitors are not making the inroads they would probably have expected, given the dissatisfaction with the service Royal Mail provide.

"Increasingly businesses are turning to the internet and e-mail for transactions previously carried out through the post."

A Royal Mail spokesman said: "Royal Mail has made huge progress in terms of efficiency, but we know we have more to do and that's why we have embarked on modernisation of the business - and we have also argued consistently to be allowed to compete fully with our rivals on price."

Subpostmasters will press the Government today to renew the contract for the post office card account when it comes up for review next year.

Pat McFadden, the Postal Minister, will be told of their fears at the NFSP conference today. George Thomson, the NFSP general secretary, said: "The post office card account is a crucial lifeline to thousands of subpostmasters already struggling to keep their businesses going.

"If the Government chooses not to award the contract to the Post Office, up to 25 per cent of those post offices remaining open will be forced to close."

2. Economy and Internet challenge U.S. Postal Service

Wed May 14, 2008 6:38pm EDT

By Ayesha Rascoe

WASHINGTON (Reuters) - Despite a slowing economy and growing competition from the Internet, the U.S. Postal Service aims to break even in 2008 by increasing its package delivery business by about 10 percent, a top executive told Reuters on Wednesday.

The Postal Service will eventually be profitable, but that goal must be balanced against giving customers the best price possible, said Patrick Donahoe, the chief operating officer and deputy postmaster general.

"Given that there's a lot uncertainty in the market right now, our goal is to continue to grow and provide value, and at a same time improve quality and improve service," Donahoe said.

This year, the Service expects about 10 percent growth in Priority Mail, Express Mail and related products that compete with Fedex Corp (FDX.N: [Quote](#), [Profile](#), [Research](#)), United Parcel Service (UPS.N: [Quote](#), [Profile](#), [Research](#)) and other companies, Donahoe said. That group of products now makes up about one-tenth of the Service's business, with First-class mail and periodicals accounting for the rest, he said.

"You've got an expanding package market, especially to homes," Donahoe said in an interview. "Our idea is to grow with it, more than in the past."

To attract more business from small companies, the Service began offering price discounts to high-volume Express Mail shippers and commercial Priority Mail customers on Monday. The discounts were made possible by a 2006 law giving it more freedom to customize pricing of package delivery products.

As the Postal Service attempts to enhance its package business, the slumping economy has cut revenue below expectations.

With businesses sending less mail, the Service lost \$707 million in its fiscal second quarter as mail and package volume fell 3.3 percent. During the first half of its fiscal year, the Service reported a net loss of \$35 million while generating \$39 billion in revenue. Donahoe said the Postal Service should break even in 2008, despite the steep loss in the first half of the year.

The Service also has to contend with consumers increasingly using the Internet, instead of the Postal Service, to pay bills and send correspondence. That has forced it to cut costs by \$8 billion since 2001, mostly through automation.

Despite the Service's efforts, one former senior official said it still faces crippling payments for retiree benefits.

The 2006 law requires the Service to fund retiree health benefits through a 10-year schedule of payments ranging from \$5.4 to \$5.8 billion annually through 2016.

"There is no obvious way they can raise that money," said Charles Guy, a senior fellow at Lexington Institute and former director of office of economics in strategic planning at Postal Service for more than 20 years.

Although the law gave the Service more flexibility in pricing and creating competitive products, Guy said with its history of failed products, the Service can not realistically expect any great financial windfall from package delivery.

"That's just not what they do," Guy said.

With limited borrowing power and limited revenue, Guy said the Service may be unable to make its annual payment to the retirement fund as soon as next year. Congress will eventually have to modify the law or give the Service a subsidy, he said.

Donahoe acknowledged money is tight, but said the Service would meet its obligations. "If we make a commitment that's part of a law, we will do it," Donahoe said. "We have been very successful with revenue generation, service improvement, and costs over past few years and I can't see that we're going to fall off course."

(Reporting by Ayesha Rascoe)

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3. Postal Service could cut service

Published: May 15, 2008 6:00AM

The Associated Press reported that the Postal Service lost \$700 million in its most recent quarter (Erie Times-News, May 8). May I suggest a moneysaving change? Why not go to everyotherday home delivery? It can be Monday, Wednesday and Friday in some areas, and Tuesday, Thursday and Saturday in others.

The Postal Service has done a good job adapting to modern delivery methods, better merchandising and customer service in response to increased competition.

Email now handles urgent correspondence, and nextday delivery service brings important packages to us. Today, what arrives in our mailboxes is rarely timesensitive. We know that the Postal Service can change. In the 1930s, mail was delivered twice a day for 3

cents a letter. Perhaps this is a solution that does not require endless postage-stamp increases and huge quarterly losses.

Jim Pendleton

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4. POLITICAL PULSE / Hiranuma typhoon on horizon? / Ex-LDP 'postal rebel' considering creation of a new party

Koichi Akaza

With public approval ratings for the Fukuda Cabinet plummeting, speculation that the House of Representatives will be dissolved for a snap general election is growing more remote.

Against such a background, moves toward political realignment are becoming stronger. The most noticeable example is that of former Economy, Trade and Industry Minister Takeo Hiranuma, a lower house member who does not belong to any political party.

Appearing on a TV talk show Sunday, Hiranuma expressed his intention to study a plan to form a new party, saying: "It's necessary to send to the Nagatacho political arena politicians with firm political beliefs who would not be influenced by short-term benefits. I'm not against establishing a new party if we can come together as one force before a general election."

Hiranuma, who once sought a return to the Liberal Democratic Party, has changed course because he feels a political distance from Prime Minister Yasuo Fukuda, observers said.

When Hiranuma belonged to the LDP in 2005, he opposed privatization of postal services pushed by then Prime Minister Junichiro Koizumi, becoming one of the rebels against postal reform within the ruling party. He failed to obtain an LDP ticket for the general election held that autumn after Koizumi dissolved the lower house to seek a public mandate on postal privatization, but was elected as an independent candidate. Afterward, Hiranuma was forced to leave the LDP together with others who rebelled on the postal privatization issue.

Hiranuma maneuvered to return to the LDP in late December 2006 following Shinzo Abe becoming prime minister in September that year. Conservative and hawkish Abe, who is closer to Hiranuma than Koizumi in terms of political philosophy and beliefs, is a longtime political ally of Hiranuma. Therefore, Hiranuma might have judged that he could be welcomed back to the LDP warmly as long as Abe took the helm of the LDP and led the government.

That scenario did not play out, and Hiranuma did not return to the LDP. He refused to sign a pledge not to oppose postal privatization that would have permitted him to return to the LDP. The pledge conditions, which included a provision that would have forced him to resign his Diet seat if he was found to be in violation of the agreement, were set by then LDP Secretary General Hidenao Nakagawa.

Others who initially opposed postal privatization signed the pledge and returned to the ruling party.

The LDP suffered a major setback in the House of Councillors election last summer that resulted in the collapse of the Abe administration in September and the establishment of the Fukuda administration. Since then, the issue of Hiranuma's possible return to the LDP has not been heard in the Nagatacho political nerve center. This is partly because Hiranuma suffered a stroke immediately after the commotion over his bid to return to the LDP and was recuperating. But Nagatacho watchers point out that Hiranuma's desire to return to the LDP has weakened because of the difference in the political stances of Fukuda, who is more liberal and pro-China, and Hiranuma, who calls for a hard-line approach toward China.

Hiranuma, however, has been maintaining a close relationship with Abe and the LDP's other conservative elements. These include Taro Aso, who is one of the leading candidates to replace Fukuda as LDP president and prime minister. Thus, Hiranuma is considered a conservative advocate outside of the LDP and remained a lawmaker with no party affiliation.

Recently, Hiranuma has been active. He met with Democratic Party of Japan President Ichiro Ozawa on April 28, followed by a meeting two days later with LDP Secretary General Bunmei Ibuki. The meeting with Ozawa was seen as a surprise because Hiranuma had had few personal contacts with Ozawa. Many observers believed that Hiranuma would not approach a DPJ so strongly tainted with liberal colors.

Moreover, Hiranuma conferred with Tamiyuki Watanuki, head of the People's New Party, and Muneo Suzuki, chief of New Party Daichi, last Thursday and agreed to establish a study group named "Yajin no Kai" (Group of Mavericks).

Hiranuma's moves are getting attention because political prospects remain chaotic and uncertain given a divided Diet where the ruling coalition parties control the lower house and the DPJ-led opposition camp dominates the upper house.

The next general election, to be held, at the latest, in September next year when the term of the lower house members expires, is regarded as a crucial election to choose between the LDP and the DPJ as a governing party. However, if either party fails to gain a majority in the election, it is possible that a third party will hold a deciding vote. If a new party led by Hiranuma gains enough seats, it will be able to become a third force.

Former Kochi Gov. Daijiro Hashimoto, who expressed his intention to run in the next general election, is said to have a keen interest in a new, powerful party.

Hiranuma is shifting to a plan to form a new party partly out of consideration for the postal rebels who lost seats in the 2005 election. He has kept up financial assistance to them and has attended their speeches. In order for his potential party to win seats in the next election, Hiranuma considers it advantageous to stir a supportive wind for them by creating a new party.

Hiranuma, his voice still feeble, has yet to completely recover from his stroke. That being the case, he is daring to risk his political life, observers said.

Can a Hiranuma-led new party become a reality? If so, can it play a central role in an expected political power game?

At any rate, his moves have further muddled already uncertain prospects for a future political course.

Akaza is political news editor of The Yomiuri Shimbun.
(May. 15, 2008)

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Thomson Financial News

5. Dutch government decides against opening Dutch postal market on July 1
05.16.08, 9:25 AM ET

AMSTERDAM (Thomson Financial) - The Dutch government decided on Friday against opening up the Dutch postal market to competition on July 1, stressing there are too many uncertainties to allow for full liberalisation.

The Cabinet said in a statement the wage accord agreed between unions and a number of new postal operators still offers insufficient certainty regarding a postal sector collective labour agreement.

The government also said the situation in the German postal market and the impediments for Dutch companies there means there is insufficient reason to agree to an opening of the Dutch market.

The Cabinet will continue to urge the European Commission to undertake action to allow competition in various European postal markets.

It added that the decision to delay liberalisation in the Netherlands does not mean the country's postal market will remain closed to competition as an EU agreement stipulates that all countries open up their postal markets by December 31, 2010.

Newspaper Het Financieele Dagblad earlier reported on Friday that a parliamentary majority was in favour of opening up the Dutch market from July 1, a decision that would see former state company TNT NV lose its monopolist position for parcels less than 50 grams.

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agb/am

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6. Junk mail

Leader

The Guardian, Friday May 16 2008

Article history

One report warning that the universal postal service is unviable would be alarming. Two reports in a fortnight indicate a crisis. Released on Wednesday night, Postcomm's submission to the independent Hooper review - set up by ministers in December to examine the impact of two years of postal liberalisation - declared the universal service unsustainable without a transformation of the Royal Mail. The Hooper review itself, in last week's interim findings, said liberalisation had only helped big business, and also warned of a "substantial threat". That was supported by Royal Mail reporting a £100m loss on its universal service, the first such loss in its history. Something has to happen soon if we are all to continue to be able to send and receive post wherever we live for the same price. If to most ordinary users the past two years have been marked by higher prices, later deliveries and fewer collections, 96% of us treasure our postal service. It is simultaneously an element of social cohesion and a vital business tool.

When competition came in, Postcomm, the regulator, set price controls in a framework supposedly aimed at making space for rivals while enabling Royal Mail to prosper. It presumed continued growth in volume and an £800m annual profit. In fact, 2006 marked the high-water mark for the number of letters; since then their displacement by internet traffic has seen the market shrink. Meanwhile, competition has been more vigorous than expected. Private operators now handle 40% of bulk mail, the work whose profitability used to underwrite the universal service. Royal Mail is left with a declining share of a declining market.

Postcomm says the answer is part-privatisation so more capital for modernisation could be raised. Royal Mail says its immediate problem is Postcomm, or rather the controls

imposed by the regulator, which in effect stop it competing on price with its rivals in the business sector. It has already made £1.5bn of efficiency savings and shed thousands of workers, and is planning a further £1.5bn of savings over the next decade. But it admits it is still less efficient than its main European rivals, the Dutch and German postal services, which were given more time and money to prepare for competition. The Communication Workers Union acknowledges the need for modernisation, accepts that will mean more job losses and proposes a levy on the competition to fund the universal service, above the tariff of 13p a letter that Royal Mail charges for delivery over "the final mile". Privatisation alone would not guarantee a universal service for the future. The Hooper review must examine the levy on competitors and also ensure regulation is not biased against Royal Mail. Otherwise we risk losing the universal service for good.

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